GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:269
ANSWERED ON:11.08.2006
DEFUNCT CO OPERATIVE BANKS
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Will the Minister of FINANCE be pleased to state:

(a) whether a large number of Co-operative Banks in the country have become unviable and defunct;

(b) if so,the details thereof, State-wise;

(c) the reasons for the closure of these banks;

(d) whether Reserve Bank of India through the Depositors Credit Insurance and Guarantee Corporation compensates the clients of defaulting Co-operative Banks;

(e) if so,the amount disbursed on this account during the last three years, year-wise, bank-wise and State-wise with special reference to Gujarat:

(f) if not, the reasons therefor; and (g) the steps taken by the Government to protect the interest of depositors?A

Answer

THE MINISTER OF FINANCE (SHRI R CHIDAMBARAM) :

(a) and (b) Since September 2001, Reserve Bank of India has rejected the applications for issue of licences of 8 District Central Cooperative Banks (DCCBs) under Section 22 read with Section 56(o) of the Banking Regulation Act (BR Act), 1949. Out of these, 3 DCCBs are from Bihar and one each from Uttar Pradesh, Assam, Chattisgarh, Maharashtra and Jharkhand. Similarly, in the last three years, licences of 90 Urban Cooperative Banks were cancelled/rejected as per the details given below:-

Name of State	UCBs
Assam	1
Andhra Pradesh	15
Gujarat	40
Karnataka	5
Madhya Pradesh/Chhatisgarh	9
Maharshtra	12
Rajasthan	2
Tamil Nadu	2
Uttar Pradesh/Uttaranchai	3
Delhi	1

(c) The reasons for cancellation of the licences are precarious financial position of the Banks with no tangible improvement; negative net worth and not complying with Section 11(1) read with Section 56(h), 22(3)(a) and 22(3)(b) of the B.R. Act, 1949; the affairs of the bank being conducted in a manner detrimental to the interest of itspresent and future depositors.

(d) Yes, Sir. In the event of liquidation, reconstruc tion/amalgamation of an insured bank, every depositor of the bank is entitled to repayment of deposit held by him in the same right and same capacity in all branches of the bank upto a monetary ceiling of Rs. 1 lakh under the deposit insurance cover provided by Deposit insurance and Credit Guarantee Corporation (DICGC).

(e) and (f) An amount of Rs. 1212.75 crores has been disbursed on this account in the last three years. The details are given in the enclosed Statement.

(g) For improving the financial health of the SCBs and DCCBs, RBI periodically takes up the matter with State Government, requesting them to recapitalise these banks to the desired extent. As regards Urban Cooperative Banks, RBI has evolved a `Vision Document` to ensure that UCBS emerge as a sound and healthy network of jointly owned, democratically controlled and ethically managed banking institutions. RBI as signed Memoranda of Understanding (MoU) with five State Governments, viz. Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh and Uttaranchal. Consequently, State level task force for UCBs (TAFCUB) have been set up in all these states. Efforts are on to enter into MoU with a few more states. Further, RBI has issued guidelines for merger/amalgamation

of UCBs, and has conveyed its no objection in respect of 17 merger proposals out of which 12 have been effected.